

AR06

**NORTH
WEST
TRUST
COMPANY**

**ANNUAL REPORT
1989**

1434

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



F U L F I L L I N G T H E P R O M I S E

TABLE OF CONTENTS

Financial Highlights	1
Message to Shareholders	2
A Progress Report	6
Corporate Profile	10
Financial Statements	11
Commercial Financial Services	19
Retail Financial Services	20
Board of Directors	22
Committee Structure	23
Corporate Directory	24
Office Directory	26
Notice of Annual Meeting	28
Memberships and Associations	28

Mission

Statement:

*To be an efficient,
creative and
profitable trust
and financial services
company providing
exemplary personal
service in response to
identified customer
needs*

FINANCIAL HIGHLIGHTS

	1989	1988	Growth
FINANCIAL POSITION			
Total Assets	\$ 813,139,000	\$ 724,472,000	12.2 %
Mortgages, Loans & Leases	\$ 522,770,000	\$ 356,019,000	46.8 %
Deposits	\$ 730,971,000	\$ 650,948,000	12.3 %
Shareholders' Equity	\$ 76,645,000	\$ 67,530,000	13.5 %

EARNINGS

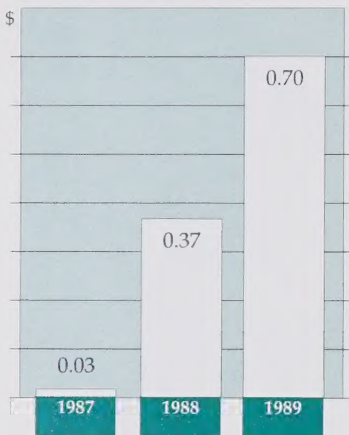
Interest Revenue and Fees	\$ 87,784,000	\$ 73,991,000	18.6 %
Net Income from continuing business operations	\$ 9,115,000	\$ 6,657,000	36.9 %
-earnings per common & Class "A" share	\$ 0.34	\$ 0.25	
Net Income after extraordinary income	\$ 9,115,000	\$ 9,082,000	0.4 %
-earnings per common & Class "A" share	\$ 0.34	\$ 0.34	

FINANCIAL RATIOS

Return on Average Assets from continuing business income	1.23%	0.94%
Return on Average Equity from continuing business income	12.63%	10.50%
Equity to Total Assets as at December 31	9.43%	9.32%
Investment Margins:		
-excluding spread reserve	1.49%	1.01%
-including spread reserve	1.79%	1.52%

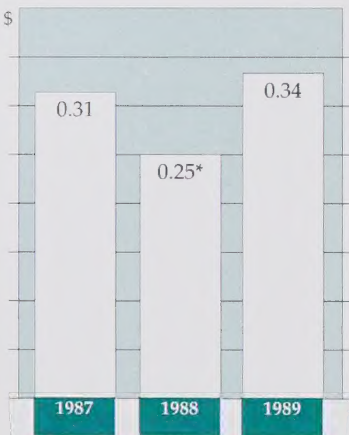
MESSAGE TO SHAREHOLDERS

EQUITY PER COMMON AND CLASS "A" SHARE (AT DECEMBER 31)



EARNINGS PER COMMON AND CLASS "A" SHARE (FULLY DILUTED)

* before extraordinary income



With the Company's strong 1989 results, we are well on the way to fulfilling the promise of creating a strong, viable, Western-based financial institution.

Net income for the year was \$9,115,000, up 37% from the previous year's net income of \$6,657,000 (before extraordinary income of \$2,425,000 in 1988).

Total assets increased 12% from \$724,472,000 to \$813,139,000 and core assets (mortgages, loans and leases) increased 47%, from \$356,019,000 to \$522,770,000.

Results

Our financial results showed improvement in almost every key area. Excluding extraordinary income in 1988, our return on average assets increased from 0.9% in 1988 to 1.2% in 1989, our return on average equity increased from 10.5% in 1988 to 12.6% in 1989 and our earnings per common share and Class "A" share increased from \$0.25 to \$0.34.

Investment margins (the difference between investment income and cost of deposits) improved from 1.5% in 1988 to 1.8% in 1989, primarily as a result of converting lower yielding investment assets into higher yielding mortgages and loans. The higher level of short term interest rates during 1989 also contributed to this increase.

One of the most satisfying aspects of our progress is that the financial support from the rehabilitation program is no longer a significant factor in our results. The utilization of the interest spread reserve has declined dramatically from \$6,120,000 in 1987 to \$1,758,000 in 1989. As a percentage of net investment income, the interest spread reserve was only 8% in 1989 compared to 18% in 1988.

Interest Sensitivity

Over the past three years, we have achieved steady improvements in the matching of asset and liability maturities. We are now well matched and will continue to closely manage the interest rate sensitivity of our portfolio.

Quality Growth

Since 1987, the Company has grown its core assets (mortgages, loans and leases) by \$346,251,000. Core asset growth in 1989 provided 48%, or \$166,751,000 of this total. The Company has achieved this growth without sacrificing the quality of the portfolio by adherence to the highest audit standards and lending criteria. The Company, through its risk management system, continually monitors its portfolio and, of the \$346,251,000 core assets, only 0.3% are in arrears 90 days or more. The portion of our residential and commercial mortgage and loan portfolio which is insured by either Canada Mortgage and Housing Corporation or Mortgage Insurance Company of Canada amounts to 23% (1987 -- 12%).

Our ongoing strategy will be to continue to diversify the portfolio in terms of both geographic location and business sector mix.

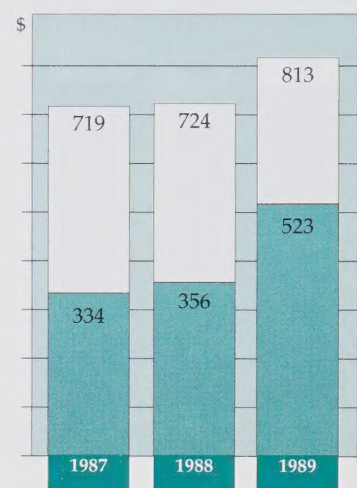
Expense Control

Growth in operating expenses was reduced from 23.2% in 1988 to 20.6% in 1989, notwithstanding the 47% increase in core assets. This has been accomplished while maintaining our commitment to building for the future by investing in people and technology today. Our net capital investment in premises and equipment increased 72% to \$3,974,000 and the number of full-time employees increased 15% to 209.

TOTAL ASSETS AND MORTGAGES, LOANS AND LEASES

(AT DECEMBER 31)
(MILLIONS OF DOLLARS)

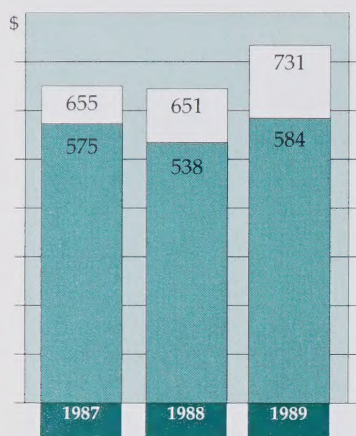
■ Mortgages loans and leases



DEPOSITS

(AT DECEMBER 31)
(MILLIONS OF DOLLARS)

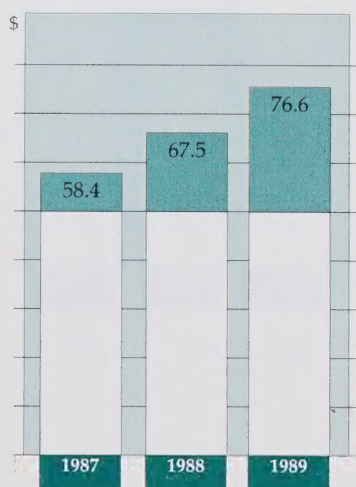
- Demand and short term
- Term G.I.C.'s and R.R.S.P.'s



CAPITAL FUNDS

(AT DECEMBER 31)
(MILLIONS OF DOLLARS)

- Retained earnings component



Operational Review

The reorganization of the Company's operations into a decentralized structure was completed during the year. Changes and improvements to technical and operating support systems are continuing.

During the year we sold our investment in Bissett & Associates Investment Management Ltd. of Calgary, but continue to use their services and counsel in the management of our investments and liquidity through some very volatile market conditions.

The book value of our marketable securities at the end of 1989 was \$91,166,000, with a market value of \$89,957,000. The market deficiency of \$1,209,000 showed a major improvement from 1988's year-end deficiency of \$4,032,000. In addition, the Company realized a net gain of \$547,000 from the sale of marketable securities during 1989, compared to \$345,000 in 1988.

Deposits increased 12% from \$650,948,000 to \$730,971,000 during 1989. A strong contributing factor to this growth was our network of deposit agents located across Western Canada which accounted for 35% of our total deposits at year end. This agency network allows us to offer our deposit products and services to a much larger market than we could access directly through our existing branches.

During 1989, programs were implemented to improve communications with agents, to increase the efficiency of document flow, and to work with them in developing marketing strategies to ensure our products meet their needs and the needs of their customers.

Financial Strength

North West Trust has a solid capital base of \$76,645,000. Our capital ratio of 9.4% of total assets is very strong when compared to the typical trust industry ratio of 4.0% or the Canadian banking industry ratio of 4.1%. With this strength, the Company could conservatively support an asset base of approximately \$1.5 billion.

Outlook

We have established a satisfactory level of corporate stability and can now look to achieving our goal of becoming a successful and profitable national financial institution operating from a Western Canadian base.

Despite pending Federal government legislation which will likely see a melding of trust, banking and related financial services -- and may lead to reduced numbers of competitors with increased competition -- we confidently predict North West Trust will become a \$1 billion organization within the next two years. This will be achieved by continued asset generation through the branch network; portfolio acquisition; and the development of merger or acquisition opportunities to enter new markets.

As part of our continuing strategy to diversify risk, we plan to enter new geographic markets in the near future. Our strategy will be to develop our deposit agency network in each new geographic area and to take a very cautious approach to acquiring loan assets. The participation in and purchase of seasoned loans and loan portfolios will be our primary asset generation strategy.

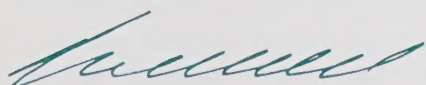
We are encouraged by the growing strength of the Western Canadian economy but are aware that continued volatility in interest rates could have a destabilizing effect on overall economic conditions.

Appreciation

We would like to express our appreciation to the Board of Directors for their guidance and counsel during the year. We would also like to acknowledge the contribution made by Daniel Pekarsky prior to his leaving the Board.

We would especially like to thank our valued and dedicated employees for their continuing commitment to making service the most important attribute of North West Trust. In addition, we wish to extend our gratitude to our network of agents for their ongoing support and loyalty.

All of these individuals can be justly proud of their accomplishments and their contribution to our success.



Gary G. Campbell, Q.C.
Chairman &
Chief Executive Officer



Donald E. Farnell
President &
Chief Operating Officer

FULFILLING THE PROMISE - A PROGRESS REPORT

To review the significant changes that have been made by North West Trust in the three years since the restructuring by Canada Deposit Insurance Corporation and the Province of Alberta, a series of questions was put to Chairman Gary Campbell and President Donald Farnell. Following is an account of that interview.

Q. Why do you feel that you are well on the way to fulfilling the promise of creating a strong, viable, Western-based financial institution?

A. Primarily, we have transformed a company which could not continue without the support of Canada Deposit Insurance Corporation and the Province of Alberta to one which, through prudent investment in normal trust company operations, has achieved a satisfactory level of profitability and an extremely strong foundation for our future. We have generated \$26,645,000 of retained earnings and in 1989 have increased total outstanding core assets (mortgages, loans and leases) by \$166,751,000 to \$522,770,000 at year-end.

Q. You speak of "fulfilling the promise". What exactly was the promise?

A. No specific promises have been stated, but a number of promises were implied:

- to our customers, that they would receive the highest level of service, with decisions made here in Western Canada with a regional perspective;
- to our depositors, that we would continue to earn their confidence and trust;
- to our agents, that we would justify their continued loyalty and confidence;
- to our employees, that they would be offered a rewarding and secure future;
- to our principal shareholder, the Province of Alberta, that we would justify its confidence in the need and importance of Western-based financial institutions; and
- to our other shareholders, that the value of their investments would be re-built.

Q. In your Message to Shareholders you made reference to the reserves that were set up at the time of restructuring. What were these reserves and how were they used?

A. At the time of restructuring, there were two critical problems that had to be addressed; the built in net interest income shortfall caused by the mismatch in asset yields and deposit costs and the extra costs associated with making the organizational changes necessary to restructure the Company. To assist in the return to health, these were separately addressed.

- An interest spread reserve was set up in 1987 for \$12,593,000. The annual utilization has been \$6,120,000 in 1987, \$3,047,000 in 1988 and \$1,758,000 in 1989. The remaining portion of this reserve is \$1,668,000 which is scheduled to be used at the rate of \$660,000 in 1990, \$429,000 in 1991 with the last \$579,000 spread over the remaining five years of the schedule. The utilization of this reserve represented less than 8% of the Company's net investment income in 1989 and the amount scheduled for 1990 will be less than 3%.
- A restructuring reserve of \$4,500,000 was also set up in 1987 to assist in non-operating costs incurred in reorganizing the Company with a vision for growth. This has now been fully utilized with \$2,028,000 used in 1987, \$1,515,000 used in 1988 and the last \$957,000 utilized in 1989.

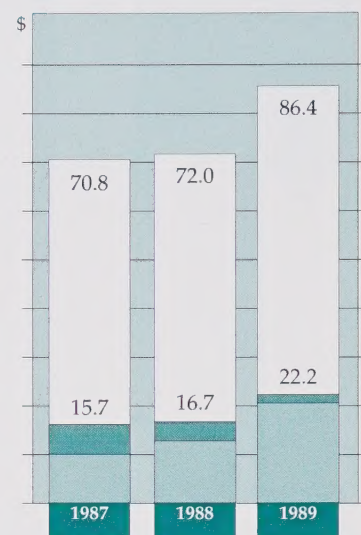
Q. What do you feel is the greatest financial improvement since restructuring?

A. As a result of the restructuring, the monies received in exchange for the assets sold had to be reinvested at yields considerably below the built in cost of funds. This necessitated the setting up of the interest spread reserve to bridge this shortfall. Since then we have successfully generated core assets to improve our yields substantially and have made major improvements in reducing our sensitivity to interest rate changes. We now have a very closely matched maturity schedule on all assets funded by customer deposits. Our policy is to continue with this cautious approach to managing interest rate sensitivity to very narrow tolerances.

This core asset growth and resultant interest rate spread provided the Company with the foundation to operate profitably in 1989 and future years.

INVESTMENT REVENUE (MILLIONS OF DOLLARS)

- Interest costs
- Combined Spread
- - spread provision
- - net earned spread



INTEREST RATE SENSITIVITY POSITION

(AT DECEMBER 31, 1989)
(MILLIONS OF DOLLARS)

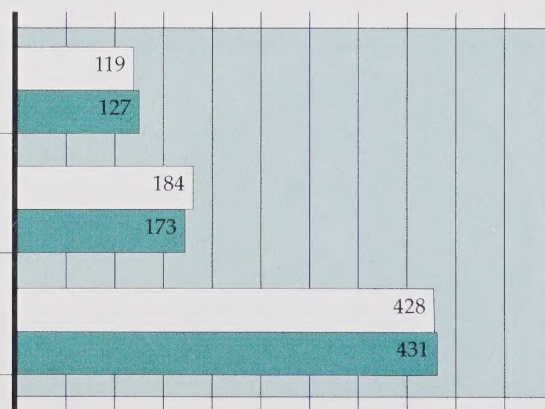
- Assets funded
- Deposits

INTEREST RATE
SENSITIVITY PERIODS

Beyond 1993

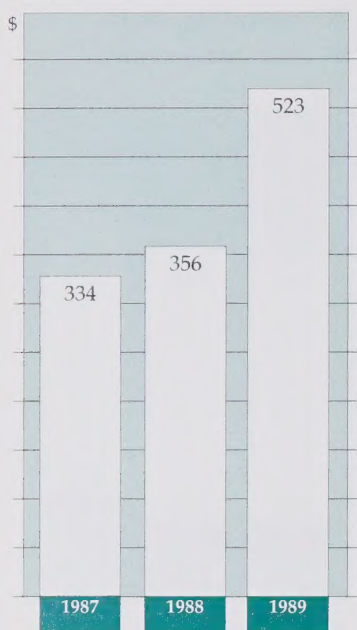
1993 & 1992

1990 & variable rate



MORTGAGES, LOANS AND LEASES

(AT DECEMBER 31)
(MILLIONS OF DOLLARS)



Q. What would you consider to be the more significant operational changes and improvements made in the last three years?

A. We have rationalized our branch network, which has been reduced from sixteen retail operations to twelve strategically located full-service retail branches and five commercial lending offices. To improve our response to customer needs, we have reorganized the Company into regional groups. We have introduced new, more effective, computer operations to improve service to clients and to provide more timely information to management. We have also instituted a new corporate planning process throughout the organization to prepare for future development.

Q. Have all these changes gone smoothly?

A. As with any change, there have been some obstacles to overcome, but in general, the changes have been managed effectively. We have had to relocate and train some employees; some clients have been inconvenienced by branch closures; and the change to a new mortgage administration system in 1989 created some delays and servicing problems.

Q. In 1989, you succeeded in achieving your target of major growth in core assets, your mortgages, loans and leases. How have you managed to control the quality?

A. We recognized two basic situations. We had to have clearly defined lending criteria with strict adherence to a quality control process, and we needed to capitalize on the opportunity of local decision making. The guidelines in our lending policy limit the maximum loan to any borrower or connection to 1% of our total assets. All loan requests are considered by the regional units and passed to senior management or Board committee for approval if in excess of certain limits.

We are pleased with the turnaround time in our credit and loan decision making process and with the quality growth record of our credit portfolio. As a clear example of this success, our level of non-performing loans at the end of 1989 represented 0.1% of total assets compared to the average banking industry record for domestic transactions of 0.6%.

Q. How important has your existing agency network been in funding activities and growth?

A. During the first two years of our turnaround our most serious concern was retaining the confidence of depositors. The loyalty of our long-term agents -- bearing in mind that we believe North West Trust was the first company to develop such a concept, in the early seventies -- was instrumental in that success.

Now that we are expanding our asset base, we will be looking for continued growth of our agency network, to play an important role in our future.

Q. North West Trust does not show any tax obligations in its financial statements. Does the Company pay income taxes?

A. Because of the ownership by the Province of Alberta, the Company is presently exempted from income taxes under Section 149 of the Income Tax Act. However, even without the exemption, the Company's profits would be shielded from income taxes because of the accumulated losses incurred prior to 1987. Each year's profits reduce this tax loss carry forward, which stood at \$39,000,000 at the end of 1989. In effect, until these losses have been completely offset by earnings, the non-tax status is really not a factor.

Q. What can you say about privatization plans for North West Trust?

A. The Province of Alberta, our principal shareholder, is responsible for the timing and format of such a move. However, it should be noted that at the time of the restructuring the Provincial Treasurer indicated that the plan was for the Company to work toward a situation where it could successfully operate on its own as a viable Western-based financial operation. Only then, would it be in a position to be returned to the private sector.

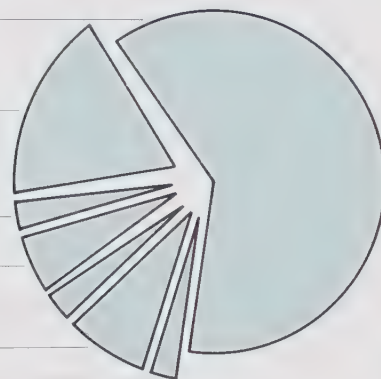
Q. What are the key factors in your plans for the future.

A. We plan on remaining an Alberta-based corporation, but with an increasingly national perspective. Our growth plans are to expand our activities into other regions of Canada, while continuing to enlarge our Western base. This will be a major strategy in achieving more geographic and business sector diversification in our mortgage and loan portfolio. This will make us less susceptible to the effects of regional economic downturns.

Entry into each new market area will initially be through expanding our deposit agency network. Assets will be acquired by participation in or acquisition of existing mortgages, loans and leases which can then be developed into a client base to support an extension of our branch network.

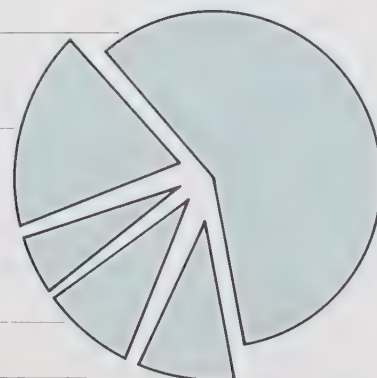
MORTGAGES BY BUSINESS SECTOR
(AT DECEMBER 31, 1989)

Residential	62%
Retail stores	18%
Land and recreation	2%
Industrial buildings	6%
Hotel/Motel	2%
Office buildings	8%
Other	2%



GEOGRAPHIC DISTRIBUTION OF MORTGAGES
(AT DECEMBER 31, 1989)

Alberta	58%
British Columbia	19%
Saskatchewan	6%
Manitoba	9%
Other	8%



CORPORATE PROFILE

North West Trust Company is committed to providing superior quality service in assisting our customers to achieve their financial goals. The dedication and expertise of the 209 men and women making up the North West Trust team has created a healthy, profitable organization that is meeting continued success by a total staff attitude of 'the customer is king'.

North West Trust Company is incorporated under the Trust Companies Act of the Province of Alberta, and has its headquarters in Edmonton.

Since the establishment of the Edmonton Main Branch in 1958, North West Trust has developed into a solid Alberta-based financial institution offering a full range of deposit and loan services through its network of twelve retail branches strategically located in Alberta, British Columbia, Saskatchewan and Manitoba. Five Commercial Financial Centres located in major Western Canadian cities provide custom financing and leasing solutions to corporate clients. Our office network is supplemented by more than 600 Bonded Agents representing the Company's deposit products in rural areas.

The Company is also licensed to operate in New Brunswick and in the Yukon and Northwest Territories.

Operating with a strong code of business ethics and a high degree of integrity, the Company has set a goal of earning and maintaining the confidence and trust of all those it serves and deals with by offering a full range of products and services tailored to meet both corporate and individual customer needs.

North West Trust Company's positive view to the future, combined with progressive, innovative management and a commitment to customer satisfaction, provides our customers with unparalleled quality financial service.

FINANCIAL REPORTING RESPONSIBILITY

The management of North West Trust Company is responsible for the content of these financial statements. To ensure reliability, integrity and fairness in recording and reporting results, management has selected appropriate accounting principles and made judgements and estimates consistent with generally accepted accounting principles in Canada.

The Company's accounting systems and related internal controls are designed, and supporting procedures are maintained, to provide reasonable assurance of the completeness and accuracy of the financial records and of the safety of all assets controlled by the Company. These systems include the communication of policies and standards of business conduct throughout North West Trust Company to prevent conflicts of interest and unauthorized disclosure of financial information. The system of internal controls is regularly reviewed and evaluated using internal audit programs which are subject to scrutiny by shareholders' auditors. These reviews are performed by staff who have direct access to the Audit Committee of the Board.

The Federal Office of the Superintendent of Financial Institutions and the Alberta Provincial regulators conduct independent annual examinations of the Company's affairs to ensure it operates within the guidelines of the Canada Deposit Insurance Corporation, within the provisions of governing legislation and that the interests of depositors and the public are safeguarded.

The Board of Directors exercises its responsibility for the financial statements to shareholders through the Audit Committee which is comprised of directors who are not officers or employees of the Company. The Audit Committee reviews the financial statements with management and the shareholders' auditors before they are approved by the Board of Directors and presented to the shareholders.

Touche Ross & Co., the independent auditors appointed by the shareholders of North West Trust Company, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their related findings as to the integrity of the Company's financial reporting and the adequacy of the system of internal controls.

AUDITORS' REPORT

The Shareholders,
North West Trust Company

We have examined the balance sheet of North West Trust Company as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Edmonton, Alberta
February 26, 1990

*Financial
Statements of
North West Trust
Company*

BALANCE SHEET

AS AT DECEMBER 31

	1989 (\$ thousands)	1988 (\$ thousands)
ASSETS		
Cash and short term investments	\$ 107,231	\$ 100,373
Marketable securities (Note 2)	91,166	184,016
Notes receivable (Note 3)	85,993	79,306
Mortgages, loans and leases (Note 4)	522,770	356,019
Premises and equipment (Note 5)	3,974	2,317
Other assets	2,005	2,441
	\$ 813,139	\$ 724,472
LIABILITIES		
Deposits:		
Demand and short term	\$ 146,694	\$ 112,717
Guaranteed investment certificates	584,277	538,231
	730,971	650,948
Accounts payable and accrued liabilities	5,523	5,994
	736,494	656,942
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	50,000	50,000
Retained earnings	26,645	17,530
	76,645	67,530
	\$ 813,139	\$ 724,472

On behalf of the Board:



Director



Director

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1989 (\$ thousands)	1988 (\$ thousands)
Investment income		
Cash and short term investments	\$ 8,350	\$ 12,082
Marketable securities	13,981	15,921
Notes receivable (Note 3)	10,998	8,120
Mortgages, loans and leases	53,029	35,880
	86,358	72,003
Cost of funds		
Demand and short term	10,981	6,250
Guaranteed investment certificates	53,147	49,029
	64,128	55,279
Net investment income	22,230	16,724
Other income		
Mortgage administration fees (Note 11)	304	763
Mortgage and loan fees	239	561
Service fees and other	883	664
	1,426	1,988
Net income before operating expenses	23,656	18,712
Operating expenses		
Salaries and employee benefits	7,815	5,935
Premises	1,433	1,543
General and administrative	5,293	4,577
	14,541	12,055
Net income before extraordinary item	9,115	6,657
Extraordinary income	--	2,425
Net income	9,115	9,082
Retained earnings, beginning of year	17,530	8,448
Retained earnings, end of year	\$ 26,645	\$ 17,530

Earnings per common share and Class "A" share

-before extraordinary item	\$ 0.34	\$ 0.25
-including extraordinary item	\$ 0.34	\$ 0.34

Financial Statements of North West Trust Company

Financial
Statements of
North West Trust
Company

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31

	1989 (\$ thousands)	1988 (\$ thousands)
OPERATING ACTIVITIES		
Cash provided by (used for):		
Net income before extraordinary item	\$ 9,115	\$ 6,657
Depreciation	791	560
Amortization of discounts	(1,904)	(3,241)
Amortization of deferred items	(1,970)	(89)
	6,032	3,887
Extraordinary item	--	2,425
	6,032	6,312
Deposits	82,264	472
Operating investment activities:		
Marketable securities	91,354	(43,660)
Mortgages, loans and leases	(163,182)	(21,836)
Notes receivable	(6,687)	(14,805)
	(78,515)	(80,301)
Changes in accounts receivable, other assets and accounts payable	(475)	(104)
	9,306	(73,621)
CAPITAL INVESTMENT ACTIVITIES		
Cash provided by (used for):		
Office premises and equipment	(2,448)	(1,276)
Other investments	--	(913)
	(2,448)	(2,189)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	6,858	(75,810)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	100,373	176,183
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	\$ 107,231	\$ 100,373

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1989

1. Summary of significant accounting policies

a) Marketable securities

Bonds are stated at amortized cost plus accrued interest. Stocks are stated at cost plus dividends receivable. A provision for losses is provided where a decline in market value represents other than a temporary diminution of value.

b) Notes receivable

Notes receivable are stated at cost plus accrued interest which does not exceed net realizable value.

c) Mortgages, loans and leases

Mortgages and loans are stated at amortized cost, which includes accrued interest, property taxes and other charges where applicable less provision for losses. Mortgage and loan premiums, discounts and fees are amortized to income over the term of the mortgage or loan. Leases are stated at gross rentals receivable net of unearned income and provision for losses. Income is recognized over the expected term of the lease at the effective yield rate.

Mortgages, loans and leases are reviewed on a regular basis and, if required, an appropriate provision for estimated losses is recorded in the Company's accounts. Non-performing investments are stated at estimated net realizable value. All mortgages, loans and leases which have reached 90 days in arrears, or which in management's judgment there is evidence of deterioration in the borrower's financial condition, are classified as non-performing, and all unpaid interest income is reversed and revenue is taken into earnings only as collected.

d) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the assets and is calculated using a straight-line or diminishing-balance method as considered most appropriate for each type of asset.

e) Agents' commissions

Agents' commissions on deposits sold are deferred and amortized over the term of the deposit.

f) Pension costs

Pension expenses consist of actuarially computed costs using management's best estimate and assumptions of pension benefits in respect of current year's service, imputed interest on plan assets and on accumulated benefits, with any experience gains or losses being amortized over the average remaining service life of the employee group. The difference between the actuarial present value of the accrued pension obligation and the market value of pension fund assets is also amortized over the average remaining service life of the employee group.

g) Trust funds

Trust assets under administration are kept separate from the Company's assets and are excluded from the balance sheet.

2. Marketable securities

	1989		1988	
	Cost (\$ thousands)	Market	Cost (\$ thousands)	Market
Bonds				
Government of Canada	\$ 18,657	\$ 18,131	\$ 18,593	\$ 17,939
Provincial	19,658	19,392	40,855	39,987
Municipal	938	936	936	924
Corporate	49,881	49,466	106,488	104,149
	89,134	87,925	166,872	162,999
Stocks				
Common	2,032	2,032	16,534	16,390
Preferred	--	--	610	595
	\$ 91,166	\$ 89,957	\$ 184,016	\$ 179,984

3. Notes receivable

The notes receivable are due from 354713 Alberta Ltd., bear interest at prime and are due 90 days after demand but not later than March 19, 1992. All notes carry the indemnity of the Province of Alberta. During the year the Company received interest income thereon of \$10,998,000 (1988 - \$8,120,000).

4. Mortgages, loans and leases

	1989 (\$ thousands)	1988 (\$ thousands)
Mortgages	\$ 452,511	\$ 324,002
Consumer and collateral loans	28,571	22,472
Lease contracts	41,688	9,545
	\$ 522,770	\$ 356,019

The Province of Alberta, the Company and 354713 Alberta Ltd., a company owned by the Province of Alberta, have an agreement which provides, subject to the consent of the Province of Alberta, for the Company to cause 354713 Alberta Ltd. to purchase at book value up to \$50 million of certain assets at any time prior to July 1, 1992. The Company has been indemnified by the Province of Alberta from any loss in regard to the obligation of 354713 Alberta Ltd. During the year the Company sold assets totalling \$6,606,000 (1988 - \$10,480,000) to 354713 Alberta Ltd. under this agreement. The amount available to the Company under this agreement is \$32,002,000 as at December 31, 1989 (1988 - \$38,608,000).

As at December 31, 1989 the Company's non-performing mortgages, loans and leases, other than those covered by the above agreement, totalled \$1,090,000 (1988 - \$476,000).

5. Premises and equipment

	1989 (\$ thousands)	1988 (\$ thousands)
Land, buildings and leasehold improvements	\$ 1,237	\$ 1,141
Equipment (computer and office)	3,932	2,380
	5,169	3,521
Accumulated depreciation and amortization	(1,195)	(1,204)
	\$ 3,974	\$ 2,317

Depreciation and amortization included in expenses for 1989 total \$791,000 (1988 - \$560,000).

6. Income taxes

The Company is exempt from income taxes pursuant to section 149 of the Income Tax Act. The losses available to carry forward in the approximate amount of \$39,000,000 at December 31, 1989 (1988 - \$48,000,000) would only be relevant in the event the Company ceases to be exempt.

7. Share capital

The following is a summary of the authorized, issued and outstanding share capital of the Company as at December 31, 1989:

	1989 (\$ thousands)	1988 (\$ thousands)
Authorized		
576,250 Class "C" Preferred shares with a par value of \$100 each		
21,866,667 Class "B" Preferred shares with a par value of \$3 each		
2,070,290 Class "A" Non-Voting shares with a par value of \$1 each		
100,000,000 common shares without par value, which may be issued for a maximum aggregate consideration of \$300,000,000		
Issued and Outstanding		
576,250 Class "C" Preferred shares	\$ 46,146	\$ 46,146
2,070,290 Class "A" Non-Voting shares	2,070	2,070
24,946,807 Common shares	1,784	1,784
	\$ 50,000	\$ 50,000

The terms of issue of all outstanding shares are as follows:

Class "C" Preferred shares have no general voting rights and carry a fixed non-cumulative dividend as and when declared by the Board of Directors of 7% per annum of the par value. Class "C" preferred shares may be redeemed at the option of the Company at par value plus any accrued and unpaid dividends, excluding interest thereon to the redemption date, and rank in priority to all other classes of shares. During the year no dividends were paid or declared on these shares.

Class "A" Non-Voting shares are entitled to receive in each fiscal year, when and as declared by the Board of Directors (after all dividends for such fiscal year and applicable interest payable on Class "C" Preferred shares have been paid), non-cumulative dividends at the rate of 3¢ per annum. No dividends shall be declared and paid or set aside for payment on the common shares in any fiscal year unless and until the dividends at the rate of 3¢ per share are paid on the Class "A" Non-Voting shares. Thereafter, dividends of up to 3¢ per share may be paid on the common shares and thereafter any further sums which the Company declares for payment of dividends in such fiscal year shall be paid in equal amounts per share on all Class "A" Non-Voting shares and common shares without preference or distinction. In accordance with the terms of issue of the Class "A" Non-Voting shares, as dividends have not been paid on them for two consecutive years, these shares became voting shares as at December 31, 1986 and will continue to be voting shares until such time as dividends have been paid on them at the prescribed rate for two consecutive years.

8. Commitments and contingencies

Contractual obligations in respect of operating leases for premises expiring at various dates to 1998 amount to \$3,976,000. Rent paid in 1989 amounted to \$1,287,000 (1988 - \$1,338,000). The future minimum payments under the terms of all the operating leases for the next five years are:

1990	\$ 1,323,000
1991	1,243,000
1992	819,000
1993	209,000
1994	99,000

9. Provision for rehabilitation

The rehabilitation agreement provided a reserve to establish an acceptable interest rate spread between interest bearing assets and liabilities and a reserve for extraordinary costs to complete the rehabilitation plan and to reorganize operations. During the year \$1,758,000 (1988 - \$3,047,000) was amortized into income from the interest spread reserve and \$957,000 (1988 - \$1,515,000) was utilized for reorganization costs from the restructuring reserve. At December 31, 1989 the unamortized balance of the interest spread reserve was \$1,668,000 and the balance in the reorganization reserve was nil.

10. Pension Plan

North West Trust Company maintains defined benefit pension plans covering substantially all of its employees. Based on the latest actuarial reports prepared and using management's best estimate assumptions, the present value of the accrued pension benefits as at December 31, 1989 amounted to \$943,000 (1988 - \$314,000) and the market value of the net assets available to provide these benefits was \$1,003,000 (1988 - \$364,000).

11. Related party transactions

Related party transactions, other than those disclosed in notes 3 and 4 are as follows:

- a) In the normal course of business the Company received mortgage and loan administration fees of \$304,000 (1988 - \$763,000) from 354713 Alberta Ltd. These fees were based on market rates for providing similar services.
- b) In the normal course of business at market rates, the Company enters into deposit taking and investing activities with the Province of Alberta and its agencies. As at December 31, 1989, the Company's net deposit position amounted to \$7,400,000 and in 1988 a net investment position of \$6,500,000.

COMMERCIAL FINANCIAL SERVICES

Commercial Mortgage Lending

North West Trust offers a full range of commercial mortgage lending options, each custom designed to provide mortgage financing at competitive rates. Whether it's a multiple family residential, commercial or industrial project, North West Trust can handle all aspects of commercial mortgage lending. From ground breaking to completion and beyond, we can help with property financing, interim construction lending and long term mortgage agreements.

Term Lending

Flexibility is the key to the broad spectrum of North West Trust term lending packages. Depending on a customer's needs, North West Trust will develop an innovative package with interest rates that are fixed or floating, a combination of both, or floating with an option to fix in the future.

Leasing

North West Trust offers competitive service for leasing of all types of business equipment. Leases are individually tailored to each customer's requirements. Lease lines of credit can be established to simplify funding of future asset acquisitions on pre-agreed terms.

Portfolio Management

North West Trust provides sound management of commercial and residential mortgage portfolios. We also offer complete administration and loan accounting expertise.

RETAIL FINANCIAL SERVICES

At North West Trust we've designed each of our financial services to meet the individual needs of our customers; our role is to help them achieve their own financial goals. Whether it's investment savings, retirement income planning, personal loans or mortgages, North West Trust offers top quality service combined with excellent rates, flexibility and security.

DEPOSIT PRODUCTS

InvestorRate Savings/Chequing Account

InvestorRate is our premier savings/chequing account. You earn bonus interest on every dollar every day you maintain the required minimum amount. Even on a balance of less than the minimum, you will still earn our excellent regular daily interest rate. All interest is compounded monthly.

The InvestorRate offers free cheque processing, statement record keeping and cheque return on accounts with a qualifying minimum monthly balance.

Top T-Bill Savings Account

It pays to consolidate savings in a Top T-Bill savings account that earns higher and higher interest rates as the account balance grows. As each savings level is reached, the higher interest rate is always paid on the entire balance up to \$100,000. On balances in excess of \$100,000, the Top T-Bill account pays additional bonus interest.

Interest is calculated daily and compounded monthly. Interest rates are set each week after review of the Bank of Canada 91 day Treasury Bill auction.

56 Plus Plan

For North West Trust customers who have reached the age of 56, the 56 Plus Plan offers a variety of extra services designed specifically to meet the needs of a more mature lifestyle. In addition to our regular services, 56 Plus Plan members receive a 1/2% bonus over InvestorRate accounts and a 1/4% interest rate premium on GIC's, discounts on Safety Deposit Box rentals and no service charges for travellers cheques, money orders, personalized cheques or utility bill payments.

Personal Chequing Account

An ideal chequing account for customers who maintain a nominal account balance. Service charges are low and the customer receives cancelled cheques along with an itemized monthly statement.

Guaranteed Investment Certificates

GIC's offer a solid combination of security and high returns; featuring guaranteed interest for 1 to 5 year terms. Depending on the amount invested, North West Trust customers can choose the interest payment frequency that best meets their financial needs.

Short Term Deposits

Short Term Deposits provide maximum flexibility for investment planning. North West Trust Short Term Deposits pay high interest on funds deposited for 7 to 364 day terms. Certain Short Term Deposits may even be redeemed prior to maturity without penalty.

RETIREMENT INCOME PLANNING

Registered Retirement Savings Plans (RRSP's)

North West Trust RRSP's enable customers to reduce income taxes while building a secure retirement fund. We offer excellent rates on a wide choice of investments ranging from daily interest savings to 5 year term deposits. Our service includes instant tax receipts, low cost loans to finance your RRSP investment and no fees or commissions.

Group RRSP Plans

For companies with no pension, North West Trust Group RRSP's, through payroll deductions, give employees the opportunity to build their own retirement income and reduce taxable income at source.

LOAN PRODUCTS

Personal Loans

Same day approval, competitive rates, amortization periods of up to 5 years, life insurance for pennies a day and no penalties for early repayment are just a few of the ways that North West Trust Personal Loans are helping customers achieve their financial goals.

Residential Mortgage Lending

Free pre-approvals, flexible 6 month to 5 year terms, amortization periods up to 25 years, a choice of weekly, bi-weekly, semi-monthly or monthly payments are just a few of the options designed for maximum flexibility and savings offered in a North West Trust residential mortgage. A number of pre-payment options are also available. For added family protection, mortgages can be life insured at low cost.

OTHER SERVICES

In addition to our deposit and loan products, North West Trust offers other services such as travellers cheques, money orders and drafts, Canada Savings Bond and Alberta Capital Bond sales and redemptions, Safety Deposit Box rentals and the convenience of paying your utility bills at our retail branches.

BOARD OF DIRECTORS

Gary G. Campbell, Q.C.
Chairman & Chief Executive Officer
North West Trust Company
Edmonton, Alberta

Donald E. Farnell
President & Chief Operating Officer
North West Trust Company
Edmonton, Alberta

Douglas J. Evans, Q.C.
Barrister & Solicitor
Pincher Creek, Alberta

Zane Feldman
President
Efmark Group of Companies Ltd.
Edmonton, Alberta

George L. Jackson, F.I.C.B.
Director
Calm Air International Inc.
Edmonton, Alberta

Mrs. Mary Lobay, C.M., B.Ed., M.Ed.
Educator and Community Worker
Edmonton, Alberta

Dr. Demitro Melnyk, M.D.
Medical Doctor
Edmonton, Alberta

Robert G. Peters
President
Peters & Company Limited
Calgary, Alberta

Dr. D. S. Reimer
Chairman, President &
Chief Executive Officer
Reimer Express Enterprises Ltd.
Winnipeg, Manitoba

Donald H. Wheaton
President
Don Wheaton Ltd.
Edmonton, Alberta

Roy G. Wilson
President
Devstar Properties Ltd.
Calgary, Alberta

COMMITTEE STRUCTURE

EXECUTIVE COMMITTEE

The Executive Committee meets monthly to provide leadership in setting strategic objectives for the Company and to consider and approve proposed actions not within management authority. Between the regular quarterly meetings of the Board, this Committee exercises all the powers of the Board except those which cannot by law be delegated. It monitors Company activities to ensure adherence to general corporate policies and procedures.

Members:

Gary G. Campbell, Q.C. (Chairman)
Donald E. Farnell
George L. Jackson, F.I.C.B.
Robert G. Peters

AUDIT COMMITTEE

The Audit Committee meets four times per year to review and approve the Company's quarterly financial statements, and to review the annual financial statements and the financial content of other reports for recommendation of their approval by the Board. This Committee monitors the appropriateness of accounting policies and financial reporting used by the Company and reviews the scope and objectives of the internal audit plans and the performance and reports of the internal Audit Services Department. It also maintains direct contact with the shareholders' auditors to review the terms and scope of their annual audit and their findings.

Members:

Mrs. Mary Lobay, C.M., B.Ed., M.Ed.
(Chairman)
Douglas J. Evans, Q.C.
Roy G. Wilson

MORTGAGE AND LOAN COMMITTEE

The Mortgage and Loan Committee meets at least twice monthly to approve individual mortgages and loans which are outside management's level of authority. The Committee determines the Company's underwriting policies and recommends to the Board approval levels for management. On a monthly basis it reviews the Company's mortgage and loan portfolios to ensure compliance with lending policies, to monitor portfolio management and to assess the adequacy of any required loan loss provisions. The Committee regularly reviews all policies, authorities and underwriting practices to ensure sound risk management.

Members:

George L. Jackson, F.I.C.B. (Chairman)
Gary G. Campbell, Q.C.
Zane Feldman
Mrs. Mary Lobay, C.M. B.Ed., M.Ed.
Roy G. Wilson

HUMAN RESOURCES COMMITTEE

The Human Resources Committee meets as required to review the Company's compensation plans and policies, and to make recommendations for approval by the Board of any changes or alterations. This Committee recommends the appointment and compensation of officers of the Company and reviews the personnel organization plan and duties and responsibilities for all employees.

Members:

Donald H. Wheaton (Chairman)
Gary G. Campbell, Q.C.
Dr. Donald S. Reimer

CORPORATE DIRECTORY

EXECUTIVE OFFICERS

Gary G. Campbell, Q.C.
Chairman & Chief Executive
Officer

Donald E. Farnell
President & Chief Operating
Officer

George L. Jackson
Board Vice-President

David B. Margolus
Corporate Secretary

NWT LEASING DIVISION

Graham A. Niel
General Manager
NWT Leasing

REGIONAL DIVISIONS

ALBERTA

David R. Pogue
Regional Vice-President
Alberta

Commercial Centre

Leonard C. Holmstrom
Assistant Vice-President
Commercial Lending
Alberta North

Eric D. Lawson
Assistant Vice-President
Commercial Lending
Alberta South

Retail Branches

Douglas M. Gess
Branch Manager
Edmonton Main

Emil R. Motoska
Branch Manager
Edmonton Southside

F. Denis Marson
Branch Manager
Calgary

R. Dale Butler
Branch Manager
Lethbridge

Orest L. Filewych
Branch Manager
Camrose

BRITISH COLUMBIA

Charles A. Hughes
Regional Vice-President
British Columbia

Commercial Centre

Kenneth F. Dermody
Assistant Vice-President
Commercial Lending

M. Kent Billingsley
Manager
Corporate Lending

Retail Branches

Paul J. Drescher
Branch Manager
Vancouver

Jeffery C. Grisold
Branch Manager
Victoria

Gregory H. Prenty
Branch Manager
New Westminster

MANITOBA/ SASKATCHEWAN

Lorne W. Kendall
Regional Vice-President
Manitoba/Saskatchewan

Commercial Centre

Walter Schmidt
Manager
Commercial Lending
Manitoba

Douglas W. Banzet
Manager
Commercial Lending
Saskatchewan

Retail Branches

Ronald F. Ellis
Branch Manager
Saskatoon

Orest W. Holowka
Branch Manager
Yorkton

James E. Dalrymple
Branch Manager
Regina

Heinz H. Kleist
Branch Manager
Winnipeg

CORPORATE DIRECTORY

BUSINESS DEVELOPMENT

Gordon Conway
Vice-President
Business Development

Daniel O. McCormack
Vice-President

TREASURY SERVICES

John S. Davediuk
Vice-President
Treasury Services

CORPORATE CREDIT

Harry D. Klassen
Vice-President
Corporate Credit

Dennis M. Crough
Assistant Vice-President
Retail Credit & Loan Administration

Brian R. Hewson
Assistant Vice-President
Commercial Credit

FINANCIAL SERVICES

William E. Scharff
Vice-President
Financial Services

CORPORATE ADMINISTRATION

M. Wayne Bond
Vice-President
Corporate Administration

Robert T. Coutts
Assistant Vice-President
Operations

CONTROLLER

Erwin Granson
Vice-President
Controller

COMPUTER INFORMATION SERVICES

Terrance V. Nyquvest
Vice-President
Computer Information Services

Lars K. Christensen
Assistant Vice-President
Management Information Systems

AUDIT SERVICES

Roger J. Pogue
Vice-President
Audit Services

OFFICE DIRECTORY

HEAD OFFICE

18th Floor, T-D Tower
Edmonton Centre
10205 - 101 Street
Edmonton, Alberta
T5J 4G1
Phone (403) 429-9300
FAX (403) 429-9331

COMMERCIAL FINANCIAL CENTRES

Edmonton

1703 T-D Tower, Edmonton Centre
10205 - 101 Street
Edmonton, Alberta
T5J 4G1
Phone (403) 429-9300
FAX (403) 429-9308

Calgary

PanCanadian Plaza
150 - 9th Avenue, S.W.
Calgary, Alberta
T2P 3H9
Phone (403) 264-5423
FAX (403) 264-2550

Winnipeg

234 Portage Avenue
Winnipeg, Manitoba
R3C 0B1
Phone (204) 947-0631
FAX (204) 957-5988

Saskatoon

222 - 2nd Avenue South
Saskatoon, Saskatchewan
S7K 1K9
Phone (306) 934-6161
FAX (306) 664-3306

Vancouver

750 - 601 W. Broadway
Vancouver, B.C.
V5Z 4C2
Phone (604) 873-0846
FAX (604) 873-1172

RETAIL BRANCHES

Calgary

PanCanadian Plaza
150 - 9th Avenue, S.W.
Calgary, Alberta
T2P 3H9
Phone (403) 264-5423
FAX (403) 264-2550

Camrose

4895 - 50 Street
Camrose, Alberta
T4V 1P6
Phone (403) 672-7769
FAX (403) 672-9119

Edmonton

10166 - 100 Street
Edmonton, Alberta
T5J 0P5
Phone (403) 428-1212
FAX (403) 426-4793

7933 - 104 Street
Edmonton, Alberta
T6E 4C9
Phone (403) 433-4286
FAX (403) 433-7426

Lethbridge

College Mall
2025 Mayor Magrath Drive
Lethbridge, Alberta
T1K 1P6
Phone (403) 328-9199
FAX (403) 328-9273

Winnipeg

234 Portage Avenue
Winnipeg, Manitoba
R3C 0B1
Phone (204) 947-0631
FAX (204) 957-5988

Regina

1920 Broad Street
Regina, Saskatchewan
S4P 3V2
Phone (306) 565-0660
FAX (306) 565-2499

Saskatoon

222 - 2nd Avenue South
Saskatoon, Saskatchewan
S7K 1K9
Phone (306) 934-6161
FAX (306) 664-3306

Yorkton

Parkland Mall
45 - 277 Broadway Street East
Yorkton, Saskatchewan
S3N 3G7
Phone (306) 782-1002
FAX (306) 786-7550

Vancouver

803 Hornby Street
Vancouver, B.C.
V6Z 1T9
Phone (604) 685-0451
FAX (604) 685-4495

Victoria

1113 Blanshard Street
Victoria, B.C.
V8W 2H7
Phone (604) 386-3534
FAX (604) 384-3994

New Westminster

632 Columbia Street
New Westminster, B.C.
V3M 1A5
Phone (604) 522-0757
FAX (604) 522-1512

*The Annual
General Meeting
of the
Shareholders
will be held
in the
Rowand Room,
Edmonton
Hilton Hotel,
10235 - 101 Street,
Edmonton, Alberta,
Thursday,
May 3, 1990
at 11:00 a.m.*

Registrar and Transfer Agent

North West Trust Company

Stock Exchange Share Listings
(Class "A" and Common Shares)

Alberta Stock Exchange

Memberships

Trust Companies Association of Canada
Trust Companies Institute
Canadian Payments Association

Authorized Lenders

Canada Mortgage and Housing Corporation
Mortgage Insurance Company of Canada
Alberta Mortgage and Housing Corporation
Alberta Family First-Home Program
British Columbia Home Mortgage Assistance Program

Bankers

Treasury Branches of Alberta
Royal Bank of Canada

Auditors

Deloitte & Touche
(formerly Touche Ross & Co.)

